

304.16-040 Debtor groups.

The lives of a group of individuals may be insured under a policy issued to a creditor, or to a trustee or agent appointed by two (2) or more creditors, which creditors, trustee or agent shall be deemed the policyholder, to insure debtors of the creditor, subject to the following requirements:

- (1) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or creditors whose indebtedness is repayable either (a) in installments or (b) in one (1) sum at the end of a period not in excess of eighteen (18) months from the initial date of debt, or all of any class or classes thereof determined by conditions pertaining to the indebtedness or to the purchase giving rise to the indebtedness. The policy may provide that the term "debtors" shall include the debtors of one (1) or more subsidiary corporations, and the debtors of one (1) or more affiliated corporations, proprietors or partnerships if the business of the policyholder and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership, contract or otherwise. No debtor shall be eligible unless the indebtedness constitutes an irrevocable obligation to repay which is binding upon him during his lifetime, at and from the date the insurance becomes effective upon his life.
- (2) The premium for the policy shall be paid by the policyholder, either from the creditor's or creditors' funds, or from charges collected from the insured debtors, or from both. A policy on which part or all of the premium is to be derived from the collection from the insured debtors of identifiable charges not required of uninsured debtors shall not include, in the class or classes of debtors eligible for insurance, debtors under obligations outstanding at its date of issue without evidence of insurability unless at least seventy-five percent (75%) of the then eligible debtors elect to pay the required charges. A policy on which no part of the premium is to be derived from the collection of such identifiable charges must insure all eligible debtors, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.
- (3) The policy may be issued only if the group of eligible debtors is then receiving new entrants at the rate of at least one hundred (100) persons yearly, or may reasonably be expected to receive at least one hundred (100) new entrants during the first policy year, and only if the policy reserves to the insurer the right to require evidence of individual insurability if less than seventy-five percent (75%) of the new entrants become insured. The policy may exclude from the classes eligible for insurance classes of debtors determined by age.
- (4) The amount of the insurance on the life of any debtor shall not exceed the amount of the unpaid indebtedness at the inception of the coverage. Where the indebtedness is repayable in one (1) sum to the creditor or creditors, the insurance on the life of any debtor shall in no instance be in effect for a period in excess of eighteen (18) months except that such insurance may be continued for an additional period not exceeding six (6) months in the case of default, extension or recasting of the loan.
- (5) The insurance shall be payable to the policyholder. Such payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of such payment.

- (6) Notwithstanding the provisions of this section, insurance on agricultural credit transaction commitments not exceeding two (2) years in duration may be written up to the amount of the loan commitment on a nondecreasing or level term plan, and insurance on educational credit transaction commitments may be written up to the amount of the loan commitment less the amount of any repayments made on the loan.

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